

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE**

**Basic Financial Statements and Supplementary Information
and Single Audit Reports**

June 30, 2006

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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A Professional Corporation

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors

Drug Enforcement Administration Metropolitan Narcotics Task Force

We have audited the accompanying statement of net assets and governmental fund balance sheet of the Drug Enforcement Administration Metropolitan Narcotics Task Force as of June 30, 2006, and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the Task Force's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Task Force as of June 30, 2006, and the changes in net assets and fund balance for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006, on our consideration of the Task Forces's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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Members of the
American Institute
of Certified Public
Accountants

Members of the
Private Company
Practice Section

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 3-5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hansen, Bradshaw Malmarose & Erickson, P.C.

December 8, 2006

Management Discussion and Analysis

As management of the DEA/Metropolitan Narcotics Task Force (MNTF), we offer readers of the MNTF financial statements this narrative overview and analysis of the financial activities of MNTF for the fiscal year ended June 30, 2006.

Financial Highlights

- \$ The assets of MNTF exceeded its liabilities at the close of the most recent fiscal year by \$1,639,319 (net assets). Of this amount \$ 1,427,089 (unrestricted net assets) may be used to meet the MNTF ongoing obligations.
- \$ The government's total net assets increased by \$200,396. This is attributable to a reduction of expenditures and an increase in revenues.
- \$ As of the close of the current fiscal year, MNTF's fund reported an ending fund balance of \$1,427,089.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to MNTF's basic financial statements. MNTF's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The *statement of net assets* presents information on all of the MNTF assets and liabilities, with the difference between the two being reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the MNTF is improving or deteriorating.

The *statement of activities* presents information showing how the MNTF net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MNTF, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. MNTF has a single fund category: governmental.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government financial position. In the case of MNTF, assets exceeded liabilities by \$1,639,319 at the close of the most recent fiscal year.

By far the largest portion of MNTF net assets (73%) reflects cash and investments. MNTF uses these assets to reduce illegal drug trafficking in the Salt Lake County area.

MNTF'S Net Assets

	Government-type Activities	
	2006	2005
Current Assets	\$ 1,440,822	\$ 1,250,732
Capital Assets	\$ 212,230	\$ 236,688
Total Assets	\$ 1,653,052	\$ 1,487,420
Current Liabilities	\$ 13,733	\$ 48,497
Net Assets:		
Invested in capital assets	\$ 212,230	\$ 236,688
Unrestricted	\$ 1,427,089	\$ 1,202,235
Total Net Assets	\$ 1,639,319	\$ 1,438,923

All of MNTF net assets are subject to external restrictions on how they may be used.

Governmental activities

Governmental activities increased the MNTF net assets by \$200,396. Key elements in this increase are as follows:

MNTF's Changes in Net Assets

	Government-type Activities	
	2006	2005
Revenues:		
Federal government grants	\$ 725,997	\$ 987,046
Seizures, forfeitures, restitution	\$ 468,014	\$ 235,469
Other revenues	\$ 40,445	\$ 13,112
Total Revenues	\$ 1,234,456	\$ 1,235,627
Current expenditures:		
Personnel	\$ 265,887	\$ 217,549
General and administrative	\$ 375,632	\$ 347,768
Investigative expenditures	\$ 212,470	\$ 195,976
Depreciation	\$ 98,614	\$ 87,747
Travel and training	\$ 76,949	\$
Capital outlay	\$ 4,404	\$ 174,282
Loss on disposal	\$ 104	\$ 513
Total expenditures	\$ 1,034,060	\$ 1,023,835
Increase in net assets	\$ 200,396	\$ 211,792
Net assets – 6/30/2005	\$ 1,438,923	\$ 1,227,131
Net assets – 6/30/2006	\$ 1,639,319	\$ 1,438,923

Capital Asset and Debt Administration

Debt Administration

MNTF has no long-term debt.

Capital Assets

MNTF investment in capital assets for its governmental activities as of June 30, 2006 amounts to \$212,230 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment. The total decrease in MNTF investment in capital assets for the current fiscal year was 10%.

MNTF's Capital Assets

	Government-type Activities	
	2006	2005
Office equipment	\$ 209,584	\$ 229,297
Detective equipment	\$ 680,572	\$ 670,712
Accumulated depreciation	\$ (677,926)	\$ (663,321)
Total	<u>\$ 212,230</u>	<u>\$ 236,688</u>

Economic factors and Next Year Budget

- \$ The MNTF's existence is dependent upon the continued availability of federal and state financial support through grants.
- \$ The above factor was considered in the MNTF budget for 2007 fiscal year.
- \$ At the end of the current fiscal year, MNTF's unreserved fund balance is \$1,427,089.

Requests for information

This financial report is designed to provide a general overview of MNTF finances for all those with an interest in the MNTF finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Murray City Corporation, 5025 South State Street, Murray, Utah 84107.

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE**

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2006**

	General Fund	Adjustments	Note 2	Statement of Net Assets
ASSETS				
Cash and investments (Note 3)	\$ 1,210,118	\$ -		\$ 1,210,118
Grants receivable	230,704	-		230,704
Capital assets (Note 4):				
Office equipment	-	209,584		209,584
Detective equipment	-	680,572		680,572
Accumulated depreciation	-	(677,926)		(677,926)
Total capital assets	-	212,230		212,230
Total assets	\$ 1,440,822	\$ 212,230	A	\$ 1,653,052
LIABILITIES				
Accounts payable	\$ 2,640	\$ -		\$ 2,640
Accrued liabilities	11,093	-		11,093
Total liabilities	13,733	-		13,733
FUND BALANCE / NET ASSETS				
Fund balance:				
Unreserved	1,427,089	(1,427,089)		-
Total fund balance	1,427,089	(1,427,089)		-
Total liabilities and fund balance	\$ 1,440,822			
Net assets:				
Invested in capital assets		212,230	A	212,230
Unrestricted		1,427,089		1,427,089
Total net assets		\$ 1,639,319		\$ 1,639,319

The accompanying notes are an integral part of this statement.

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Adjustments	Note 2	Statement of Activities
REVENUES:				
Federal government grants (Note 5)	\$ 725,997	\$ -		\$ 725,997
Seizures, forfeitures and restitution	468,014	-		468,014
Other governmental revenue	5,999	-		5,999
Interest on investments	34,446	-		34,446
Total revenues	1,234,456	-		1,234,456
EXPENDITURES:				
Current expenditures:				
Investigative expenditures	212,470	-		212,470
Salaries and benefits	265,887	-		265,887
Travel and training	76,949	-		76,949
General and administrative	375,632	-		375,632
Depreciation	-	98,614	B	98,614
Capital outlay	78,664	(74,260)	B	4,404
Loss on disposal	-	104	C	104
Total expenditures	1,009,602	24,458		1,034,060
Excess (deficiency) of revenues over (under) expenditures	224,854	(224,854)		-
Change in net assets	-	200,396		200,396
Fund Balance/Net Assets at beginning of year	1,202,235	236,688		1,438,923
Fund Balance/Net Assets at end of year	\$ 1,427,089	\$ 212,230		\$ 1,639,319

The accompanying notes are an integral part of this statement.

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE**
Notes to the Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Drug Enforcement Administrative Metropolitan Narcotics Task Force (the Task Force) conform to accounting principles generally accepted in the United States of America (US GAAP) applicable to governmental units. The Task Force was formed in 1982 under an interlocal cooperative agreement among various local governmental units in the Salt Lake metropolitan area to investigate and prosecute controlled substance offenders, and as such is a nontaxable entity. The financial reporting period and presentation follows that of Utah cities since the Task Force was created principally by cities. A summary of the significant accounting policies applied in the preparation of the accompanying basic financial statements is as follows:

Reporting Entity

The reporting entity consists of the Task Force, which has no component units.

Fund Accounting

The accounts of the Task Force are organized on the basis of a general fund. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, other credits, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The fund designation reflected in the basic financial statements is as follows:

Governmental Fund

General Fund The General Fund is the general operating fund of the Task Force. It is used to account for all financial resources applicable to the operations of the Task Force.

Budgets

As approved by the Utah State Auditor, the Task Force is not required to hold public Budget hearings or adopt a legal budget due to the sensitive nature of the Task Force's operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE
Notes to the Financial Statements (Continued)
June 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The General Fund (a governmental fund type) is accounted for using the modified-accrual basis of accounting. Modifications to the accrual method of accounting are as follows:

Revenues

Revenues are recorded as the cash is received, except for (a) revenues susceptible to accrual, i.e., measurable and available, (b) material revenues that have not been received at the normal time, and (c) revenues received prior to the period of benefit. Revenues considered to be susceptible to accrual are intergovernmental revenue, charges for services and interest. Determination of when revenue is recognized is as follows:

Intergovernmental revenues (grant entitlements) are considered susceptible to accrual if received by the Task Force soon enough to pay liabilities of the current period (within 45 days following year end), with the following exception: the unexpended portion of certain grants is recorded as deferred revenue until expended when verification of expenditures is the prime factor in determining eligibility.

Charges for services and interest are considered measurable and available if received by the Task Force soon enough to pay liabilities of the current period.

Expenditures

Expenditures are recorded when the liability is incurred.

The effect of expenditures for fixed assets on operations is not allocated between years, as when recording expenses, but is reflected in the year the liability is incurred. The financial flow measurement focus is used to account for all governmental funds.

The Task Force follows the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB Statement No. 34 requires governmental entities to provide additional accrual-basis statements and schedules to better communicate the financial status of the governmental entity. Effective July 2003, the Task Force adopted the provisions of GASB Statement No. 37, *Basic Financial Statement-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. The major changes resulting from the adoption of these standards are the additions of the Management Discussion and Analysis and the presentation of government-wide financial statements which includes the Statement of Net Assets and the Statement of Activities.

Allowance for Doubtful Accounts

The Task Force considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be expensed when that determination is made.

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE
Notes to the Financial Statements (Continued)
June 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets Capital assets, which include property and equipment are defined by the Task Force as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	3 to 5 years
Furniture and fixtures	3 to 5 years

Employee Compensation

Most of the employees of the Task Force are provided by the various participating local governmental units. The participating agencies pay all compensation (except overtime) and employee benefits. The value of these donated services has not been accounted for in these basic financial statements.

Accounting Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenue and expenses for the period. Actual results could differ from those estimates.

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE**
Notes to the Financial Statements (Continued)
June 30, 2006

2. GOVERNMENTAL ACTIVITIES ADJUSTMENTS

Statement of Net Assets:

A. Capital Assets

When capital assets (property and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Task Force as a whole.

Cost of capital assets	\$890,156
Accumulated depreciation	(677,926)
Total	<u>\$212,230</u>

Statement of Activities:

B. Capital Expenditures and Depreciation

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreased by the amount of the financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year.

Capital outlay	(\$ 74,260)
Depreciation expense	98,614

C. Loss on Disposal of Property

The loss on disposal of property is not reported in the governmental funds. However, the cost of the disposed property and the accumulated depreciation are removed from the capital assets account in the statement of net assets, and the net book value of the disposed property is reported as a "loss on disposal" in the statement of activities.

Loss on disposal of property	\$104
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**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE
Notes to the Financial Statements (Continued)
June 30, 2006**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Task Force is required to follow the requirements of the Utah Money Management Act, Section 57-7, *Utah Code Annotated*, 1953, as amended in handling its depository and investment transactions. The law requires that investment transactions be conducted through qualified depositories and stipulates the types of securities allowable as acceptable investment transactions. The Task Force was in compliance with the Utah Money Management Act during 2006.

The Task Force's cash and investment balances are maintained by Murray City Corporation (the City). The City maintains a cash investment pool that is available for use by all its funds and by the Task Force. Interest earned by the pool is distributed monthly to individual funds and to the Task Force based on daily equity in the pool.

Following are the components of the Task Force's cash and investments at June 30, 2006:

Cash	\$ 389,249
Public Treasurer's Pool	<u>820,869</u>
Total	<u><u>\$1,210,118</u></u>

Deposits and Investments

Custodial credit risk - deposits. This is the risk that in the event of a bank failure, the Task Force's deposits may not be returned. As of June 30, 2006, \$313,000 of the Task Force's \$313,000 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. The Utah Money Management Act does not require deposits to be insured or collateralized and the Task Force has no formal policy regarding deposit credit risk. The Act requires that the Task Force keep deposits in a qualified depository, which the Task Force has done.

Custodial Credit Risk - Investments. This is the risk that in the event of the failure of the counterparty, the Task Force will not be able to recover the value of its investments that are in the possession of an outside party. The Task Force has no formal policy regarding custodial credit risk for investments. Money invested in the Utah Public Treasurer's Investment Fund is pooled with many other state and local entities, and is managed by the Utah State Treasurer. The Fund is not categorized as to custodial credit risk.

Interest rate credit risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Task Force's policy for managing its exposure to fair value loss from changes in interest rates is to follow the Utah Money Management Act and only invest in instruments that mature in one year or less. Investment within the Public Treasurer's Investment Fund have a weighted average maturity of less than ninety days.

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE**
Notes to the Financial Statements (Continued)
June 30, 2006

3. CASH, CASH EQUIVALENTS AND INVESTMENTS(CONTINUED)

Credit risk is the risk that an issuer will not fulfill its obligations. The Task Force policy is consistent with and complies with the Utah State Money Management Act. Investment is limited to U.S. Treasuries, U.S. Government Agency instruments, Utah Public Treasurer's Investment Fund, and other instruments that are rated A or higher by Standard & Poor's or Moody's. The Task Force only invested in the Utah Public Treasurer's Investment Fund during the year.

Concentration of credit risk. The Task Force policy requires diversification and limits the amount that may be invested in the same company. The Task Force has invested only in the Utah Public Treasurer's Investment Fund. The Utah Public Treasurer's Investment Fund is highly diversified and must comply with various rules of the Utah State Money Management Act and Money Management Council.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
capital assets:				
Office equipment	\$229,297	\$63,830	\$83,543	\$209,584
Detective equipment	<u>670,712</u>	<u>10,430</u>	<u>570</u>	<u>680,572</u>
Total capital assets	<u>900,009</u>	<u>74,260</u>	<u>84,113</u>	<u>890,156</u>
Less: accumulated				
depreciation for:				
Office equipment	155,546	28,699	83,542	100,703
Detective equipment	<u>507,775</u>	<u>69,915</u>	<u>467</u>	<u>577,223</u>
Total accumulated				
depreciation	<u>663,321</u>	<u>98,614</u>	<u>84,009</u>	<u>677,926</u>
Governmental activities				
capital assets, net	<u>\$236,688</u>	<u>(\$24,354)</u>	<u>\$ 104</u>	<u>\$212,330</u>

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE
Notes to the Financial Statements (Continued)
June 30, 2006**

5. INTERGOVERNMENTAL REVENUE

Intergovernmental revenue consisted of the following:

Federal Government Grants	
Office of National Drug Control Policy	\$673,037
United States Department of Justice - pass through from the State of Utah	<u>52,960</u>
	725,997
Other governmental revenue	<u>5,999</u>
Total	<u>\$731,996</u>

6. RETIREMENT PLANS

Plan Description - The Task Force contributes to the Local Governmental Noncontributory Retirement System (LGNRS), cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

Chapter 49 of the *Utah Code Annotated* 1953, as amended, assigns the authority to establish and govern the Systems. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the LGNRS. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - The Task Force is required to contribute 11.09% of their annual covered salary. The contribution rates are actuarially determined. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Task Force's contributions to the LGNRS for the years ending June 30, 2006, 2005 and 2004 were \$12,040 and \$9,748, and \$9,405 respectively. The contributions were equal to the required contributions for each year.

The Task Force also participates in a 401(k) plan provided by the Systems, which is a multiple-employer defined contribution plan. All employees of the Task Force are eligible to participate in the plan. Employees are immediately 100 percent vested in all contributions to the plan. Employee and employer contributions are voluntary. Contributions by the Task Force to the 401 (k) plan for the years ended June 30, 2006, 2005 and 2004 were \$4,560, \$3,735 and \$5,084, respectively.

SINGLE AUDIT

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006**

<u>Federal Grantor Agency</u>	<u>Description</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>2006 Federal Expenditures</u>
Office of National Drug Control Policy				
Rocky Mountain HIDTA	High Intensity Drug Trafficking Awareness		I6PRMP528	\$ 22,808
	High Intensity Drug Trafficking Awareness	07	I5PRMP528	170,176
	High Intensity Drug Trafficking Awareness	07	I3PRMP528	173,849
	High Intensity Drug Trafficking Awareness	07	I4PRMP528	216,390
	High Intensity Drug Trafficking Awareness	07	I3PRMP801	<u>89,814</u>
				<u>673,037</u>
Pass-Through Program From:				
State of Utah (Department of Justice)				
Drug Control Systems Improvement-Formula Grant	Metropolitan Narcotics Task Force	16.579	4D17	15,181
JAG Grant	Metropolitan Drug & Crime Task Force	16.738	5A11	<u>37,779</u>
Total expenditures of federal awards				<u><u>\$725,997</u></u>

The accompanying notes are an integral part of this schedule.

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE**
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Drug Enforcement Administration Metropolitan Narcotics Task Force (the Task Force). All federal awards passed through from other government agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified-accrual basis of accounting.

Hansen, Bradshaw, Malmrose & Erickson

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Drug Enforcement Administration Metropolitan Narcotics Task Force

We have audited the financial statements of the Drug Enforcement Administration Metropolitan Narcotics Task Force (the Task Force), as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Task Force's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Task Force's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Brodshaw Malurose & Erickson, P.C.

December 8, 2006

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Drug Enforcement Administration Metropolitan Narcotics Task Force

Compliance

We have audited the compliance of the Drug Enforcement Administration Metropolitan Narcotics Task Force (the Task Force), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Task Force's major federal programs are identified in the Summary of Auditor's results sections of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Task Force's management. Our responsibility is to express an opinion on the Task Force's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Task Force's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Task Force's compliance with those requirements.

In our opinion, the Task Force complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA

Jason L. Tanner, CPA
Robert D. Wood, CPA

Members of the
American Institute
of Certified Public
Accountants

Members of the
Private Company
Practice Section

Internal Control Over Compliance

The management of the Task Force is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Task Force's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contract and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 8, 2006

**DRUG ENFORCEMENT ADMINISTRATION
METROPOLITAN NARCOTICS TASK FORCE
Schedule of Findings and Questioned Costs
June 30, 2006**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- Reportable conditions identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Reportable conditions identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133: No

Identification of major programs: HIDTA Initiative CFDA:07

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Findings Relating to Financial Statements

No findings or questioned costs are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs for Federal Awards

No findings or questioned costs related to federal awards that required to be reported under OMB Circular A-133 were noted during the audit.

Hansen, Bradshaw, Malmrose & Erickson

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE GUIDELINES

The Board of Directors
Drug Enforcement Administration Metropolitan Narcotics Task Force

We have audited the basic financial statements of the Drug Enforcement Administration Metropolitan Narcotics Task Force (the Task Force) for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. As part of our audit, we have audited the Task Force's compliance with the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2006. The Task Force received the following major State assistance programs from the State of Utah:

- Drug Control Systems Improvement Formula Grant

Our audit also included testwork on the Task Force's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Cash management
- Purchasing requirements
- Other general compliance issues

The Task Force did not receive any nonmajor State grants during the year ended June 30, 2006.

The management of the Task Force is responsible for the Task Force's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Task Force's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Task Force, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

December 8, 2006